



## UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF VOCATIONAL AND ADULT EDUCATION

September 7, 2001

Dear Grantees:

Congratulations on being selected for funding under the Native American Vocational and Technical Education Program (NAVTEP) FY 2000 Competition! This marks the beginning of a new award and what we hope will be a very successful project and a great relationship between you and the Department.

As you implement your grant, please contact your project officer frequently to discuss challenges or request assistance, and, of course, brag a little about your accomplishments. The Department is extremely interested in the success of your project, and our NAVTEP team will be calling you often.

We will hold a Project Director's meeting in the near future to provide an opportunity for you to share information about your project. We will be sending you information on this meeting and seeking projects that would like to make presentations.

You will remember that in the January 3, 2001 Federal Register notice requesting applications, we informed you that section 311(a) of the Perkins Act prohibits NAVTEP funds from being used to supplant non-Federal funds in carrying out vocational and technical education and tech-prep activities. For example, this means that generally a grantee could not use NAVTEP funds to pay for dependent care services if: 1) non-Federal funds were ever used to pay for those costs, or 2) if non-Federal funds are currently being used to provide those services in non-vocational programs and those services otherwise would have been available to vocational students in the absence of NAVTEP funds.

In the notice, we also indicated that as a result of the prohibition against supplanting, grantees are required to use their negotiated restricted indirect cost rate. (See 34 CFR 75.563). A restricted indirect cost rate limits allowable indirect costs. Costs that would normally be incurred by a program with or without funds from a Federal project are generally eliminated from the indirect cost pool. For example, regardless of whether a program has a NAVTEP grant, that program would probably have a Chief Executive Officer, and/or a Deputy Chief Executive Officer, and heads of the components that report to the CEO or Deputy. That program would also incur all or almost all of its occupancy costs with or without the Federal project. So these costs are treated as

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unallowable costs in the restricted indirect cost rate calculation. However, occasionally the presence of the NAVTEP project could require additional indirect staff in organization-wide, direction and control functions such as accounting, human resources, procurement, and data processing. In this instance, the costs of these additional salaries, fringe benefits, and related costs would be allowed as indirect costs in the restricted rate formula. A detail explanation of the restricted indirect cost rate may be found in 34 CFR 76.564 - 76.569.

During clarification calls, the NAVTEP team discussed the need for your project to use a restricted indirect cost rate and discovered that most of you do not have a restricted rate. The Department was then faced with several choices, for example: allow indirect costs only for grantees with restricted indirect cost rates approved by their cognizant Federal agency or provide an interim rate to grantees without approved restricted indirect cost rates. We decided—

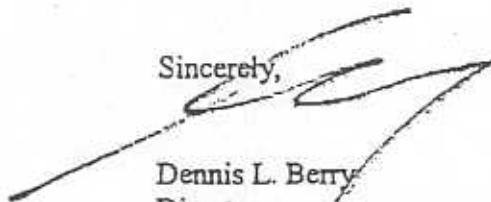
- To provide an interim restricted indirect cost rate for the first year of the grant for grantees that have an approved unrestricted indirect cost rate, but that do not have an approved restricted rate;
- That no grantee with an approved unrestricted indirect cost rate would have an interim restricted rate below 8% of modified total direct costs; and
- That an interim restricted rate would not be given to grantees that do not have an approved unrestricted indirect cost rate since those grantees would not be able to charge indirect costs to their NAVTEP grants until they receive an approved restricted indirect cost rate from their cognizant Federal agency.

The interim restricted rate is good for only the first year of the grant. In order to receive indirect costs in the second and third years of the grant, grantees must have requested and obtained approval of a restricted indirect cost rate from their cognizant Federal agency. Therefore, you are strongly encouraged to submit a request for approval of a restricted rate as soon as possible. You should use the enclosed guidance "Computation of Restricted Rate" when developing your restricted indirect cost rate proposal for review by your cognizant Federal agency.

Normally, you should be able to get an approved restricted rate within six months. However, we realize that several factors may hinder your efforts to get a new rate. For example: (1) You may have a predetermined rate that is locked in for a period of time and your cognizant Federal agency will not open negotiations until it is time to approve a new rate or (2) BIA has a backlog of requests for indirect cost rates and may not be able to approve your request within six months. If you are unable to get a restricted rate six months after submitting your restricted rate proposal, please contact your project officer to discuss the indirect cost rate you may use in the second year of your grant.

Good luck with your project activities! And the NAVTEP team will be talking with you soon.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Dennis L. Berry', written over the word 'Sincerely,'.

Dennis L. Berry  
Director,  
Division of National Programs

Enclosure

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INDIRECT COST GROUP

0003

**COMPUTATION OF RESTRICTED RATE****(EXCLUDING CARRY FORWARD)****STATE AGENCY ZYX****ACTUAL COSTS, YEAR ENDED JUNE 30, 2000**

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A. R. Shumard

Oct 11, 2000

**UNRESTRICTED RATE**

Departmental Costs:	<u>EXCLUDED</u>	<u>UNALLOWABLE</u>	<u>ALLOWABLE</u>
Chief Executive Officer	10,000		290,000
Legal Services	5,000		245,000
Fiscal Services	6,000		274,000
Personnel Services	2,000		360,000
Public Relations		50,000	30,000
Policy & Budget	4,000		136,000
Data Processing	20,000		240,000
Procurement	7,000		203,000
Occupancy			300,000
Equipment Use	12,000		48,000
<b>Total Departmental</b>	<b>66,000</b>	<b>50,000</b>	<b>2,126,000</b>
<b>Statewide Costs</b>			<b>114,000</b>
<b>Total Indirect Costs</b>	<b>66,000</b>	<b>50,000</b>	<b>2,240,000</b>
 Base Costs - Before Adjustment	 50,000,000		 15,950,000
Adjustment - Public Relations		(50,000)	50,000
<b>Adjusted Base Costs</b>	<b>50,000,000</b>	<b>(50,000)</b>	<b>16,000,000</b>
 Rate			 14.0%

**RESTRICTED RATE ADJUSTMENTS:**

Following Offices report to Chief Executive Officer or Deputy:

- \* Legal Services
- \* Fiscal Services
- \* Personnel Services

Procurement, Data Processing, and Policy & Budget report to Fiscal Services Director.  
Public Relations reports to Personnel.

## Page 2 - DOI-IC-RR.XLS

Total Organization-Wide Salaries and Fringe Benefits

10,000,000

Unrestricted Allowable Indirect Salaries and Benefits

Chief Executive Officer	210,000
Legal Services	225,000
Fiscal Services	250,000
Personnel Services	300,000
Public Relations	25,000
Policy & Budget	100,000
Data Processing	185,000
Procurement	140,000
<b>Total</b>	<b>1,435,000</b>

Chief Executive Officer Office Costs:

Personnel	210,000
Operating	80,000
<b>Total</b>	<b>290,000</b>

Component Costs:

	<u>Legal Services</u>	<u>Fiscal Services</u>	<u>Personnel</u>
Director & Admin. Assistant - Personnel	90,000	75,000	60,000
Other Personnel	135,000	175,000	240,000
<b>Subtotal Personnel</b>	<b>225,000</b>	<b>250,000</b>	<b>300,000</b>
Operating	20,000	24,000	60,000
<b>Total Direct &amp; Indirect</b>	<b>245,000</b>	<b>274,000</b>	<b>360,000</b>

Statewide Costs:

Building Construction & Maintenance	25,000
Warrant Writing	60,000
Civil Service Commission	22,000
Other	7,000
<b>Total</b>	<b>114,000</b>

Page 3 - DOIJC-RR.XLS

## RESTRICTED RATE ADJUSTMENT COMPUTATIONS:

1 Chief Executive Officer - All of it. 290,000

2 Legal Services

Unallowable Salaries & Benefits 90,000

Operating:

Unallowable Salaries & Benefits 90,000

Total Salaries & Benefits 225,000

Percent Unallowable 40.000%

Total Operating Costs 20,000

Percent Unallowable Personnel 40.000%

Unallowable Operating 8,000

Total Adjustments 98,000

3 Fiscal Services.

Unallowable Salaries & Benefits 75,000

Operating:

Unallowable Salaries & Benefits 75,000

Total Salaries & Benefits 250,000

Percent Unallowable 30.000%

Total Operating Costs 24,000

Percent Unallowable Personnel 30.000%

Unallowable Operating 7,200

Total Adjustments 82,200

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## INDIRECT COST GROUP

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Page 4 - DOI-IC-RR.XLS

## 4 Personnel.

Unallowable Salaries & Benefits	60,000
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## Operating:

Unallowable Salaries & Benefits	60,000
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Total Salaries & Benefits	300,000
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Percent Unallowable	20.000%
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Total Operating Costs	60,000
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Percent Unallowable Personnel	20.000%
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Unallowable Operating	12,000
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Total Adjustments	72,000
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## 5 Occupancy.

Figure allowable restricted indirect personnel costs.

	<u>Unrestricted</u>	<u>Restricted Adjustment</u>	<u>Restricted Amounts</u>
Chief Executive Officer	210,000	(210,000)	-
Legal Services	225,000	(90,000)	135,000
Fiscal Services	250,000	(75,000)	175,000
Personnel Services	300,000	(60,000)	240,000
Public Relations	25,000	0	25,000
Data Processing	185,000	0	185,000
Policy & Budget	100,000	0	100,000
Procurement	140,000	0	140,000
Total	1,435,000	(435,000)	1,000,000

Divide Restricted Personnel by Total Personnel

Restricted Personnel	1,000,000
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Total Personnel	10,000,000
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Percent Allowable Restricted	10.000%
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Multiply by total Occupancy

Total Occupancy	300,000
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Percent Allowable Restricted	10.000%
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Restricted Occupancy	30,000
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## INDIRECT COST GROUP

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Page 5 - DDHC-RR.XLS

Total Occupancy	300,000
Restricted Occupancy	30,000
Restricted Adjustment	270,000

## 6 Central Services - Occupancy-Related:

Total Amount	25,000
Percent Personnel Restricted IC	10.000%
Restricted CS-Occupancy	2,500
Total Amount	25,000
Restricted CS-Occupancy	2,500
Restricted Adjustment	22,500

## RESTRICTED RATE COMPUTATION:

	<u>Unrestricted</u>	<u>Restricted Adjustments</u>	<u>Restricted Amounts</u>
Departmental Costs:			
Chief Executive Officer	290,000	(290,000)	0
Legal Services	245,000	(98,000)	147,000
Fiscal Services	274,000	(82,200)	191,800
Personnel Services	360,000	(72,000)	288,000
Public Relations	30,000		30,000
Policy & Budget	136,000		136,000
Procurement	203,000		203,000
Data Processing	240,000		240,000
Occupancy	300,000	(270,000)	30,000
Equipment Use	48,000		48,000
Total Departmental	2,126,000	(812,200)	1,313,800
Statewide Costs	114,000	(22,500)	91,500
Total Indirect Costs	2,240,000	(834,700)	1,405,300
Adjusted Base Costs (1)	16,000,000	812,200	16,812,200
Rate	14.0%		8.4%

Note (1) - Restricted Base Costs Adjustments

Chief Executive Officer	290,000
Legal Services	98,000
Fiscal Services	82,200
Personnel Services	72,000
Occupancy	270,000
Total	812,200